

## Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 158317  
ORIGIN STR-07

INFO OCT-01 NEA-11 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00  
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02  
OMB-01 DOE-15 /125 R

DRAFTED BY -  
APPROVED BY STR - S LANDE  
-----017977 221052Z /23  
R 212239Z JUN 78  
FM SECSTATE WASHDC  
TO USMISSION GENEVA  
INFO AMEMBASSY TEL AVIV

LIMITED OFFICIAL USE STATE 158317

E.O. 11652: N/A

TAGS: ETRD

SUBJECT:CONSULTATIONS WITH ISREAL ON GSP UNDERSTANDING

1. ON JUNE 8 AND 9, US DELEGATION HEADED BY ASSISTANT STR LANDE MET WITH DELEGATION HEADED BY DR. COHEN, ASSISTANT DIRECTOR FOR TRADE IN MINISTRY OF INDUSTRY, TO DISCUSS GSP UNDERSTANDING OF 1975 AND MTN. MTN DISCUSSIONS COVERED IN SEPTTEL.

2. COHEN STARTED BY STATING THAT IN ISRAELI VIEW, 1975 GSP UNDERSTANDING WAS UNBALANCED IN FAVOR OF US. ISRAELI SIDE THEN PRESENTED EIGHT TABLES SUPPORTING THIS VIEW. BASIC POINT WAS THAT IN 1977, WHILE MEMO OF UNDERSTANDING COVERED \$162 MILLION IN 1977 US IMPORTS INTO ISRAEL, US GSP ONLY GRANTED TO \$146 MILLION OF ISRAEL IMPORTS TO US. THUS  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 158317

BALANCE WAS IN US FAVOR. US SIDE POINTED OUT THAT IN FACT COHEN WAS COMPARING APPLES AND ORANGES, SINCE UNDER GSP ISRAELI IMPORTS RECEIVED PREFERENTIAL TREATMENT, WHEREAS UNDER MEMO OF UNDERSTANDING US IMPORTS ONLY RECEIVED EQUAL NON-PREFERENTIAL TREATMENT WITH SIMILAR IMPORTS FROM EEC, AND THAT ACTIONS TAKEN UNDER THE UNDERSTANDING WERE UNILATERAL ISRAEL ACTIONS, NOT RECIPROCAL.

3. AS A RESULT OF THIS IMBALANCE, ISRAELIS PROPOSED THAT

SEVERAL CHANGES BE MADE. FIRST WAS THAT ADDITIONAL PRODUCTS OF INTEREST TO ISRAEL BE ADDED TO US GSP. ISRAELIS PRESENTED LIST CONTAINING ABOUT 50 PRODUCTS, INCLUDING A LARGE NUMBER OF CHEMICALS IN TSUS 407.85 AND FLAT GLASS ITEMS FROM TSUS 542.31. US SIDE REFERRED ISRAELIS TO PETITION PROCEDURE FOR GSP ADDITIONS, BUT CAUTIONED AGAINST ASKING FOR CLEARLY SENSITIVE ITEMS IN US MARKET.

4. SECOND ISRAELI PROPOSAL FOR CORRECTING IMBALANCE WAS THAT PRODUCTS LISTED IN SECTION 503 (C) OF TRADE ACT, WHICH ARE EXCLUDED FROM GSP, ALSO BE EXCLUDED FROM THE UNDERSTANDING. THIRDLY, ISRAELIS SUGGESTED THAT CRITERIA OF UNDERSTANDING BE CHANGED AS FOLLOWS AND THAT PRODUCTS NOT MEETING CRITERIA BE REMOVED FROM UNDERSTANDING:  
A) \$375,000 CRITERION, SHOULD BE ADJUSTED ANNUALLY BY A COEFFICIENT TAKING INTO ACCOUNT CHANGE IN VALUE OF US DOLLAR. THE ISRAELIES BELIEVED \$425,000 WOULD BE SUITABLE AT THIS TIME. B) AN ADDITIONAL CLAUSE SHOULD BE ADDED TO THE CRITERION THAT THE ECS SHARE OF IMPORTS BE 10 . THIS WOULD REQUIRE THAT TOGETHER EC AND US IMPORTS REPRESENT 50 OF THE TOTAL OF AN ITEM, TO AVOID THE BENEFITS BEING GIVEN TO OTHER (READ FAR EASTERN) COUNTRIES.  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 158317

5. US REBUTTED THIS WITH DISCUSSION OF UNPOPULARITY OF GSP IN US AND PROBLEM OF GIVING PREFERENCES TO COUNTRY THAT ITSELF PROVIDES PREFERENCES TO DEVELOPED COUNTRY WHICH HURT US EXPORTS, AS WELL AS SEVERAL INCONSISTENCIES IN FIGURES IN ISRAELI TABLES. FOR EXAMPLE, ONE TABLE CLAIMED THAT US SHARE OF ISRAELI IMPORTS OF PRODUCTS COVERED BY UNDERSTANDING HAD INCREASED FROM 50 IN 1976 TO 59 IN 1977, WHICH DEMONSTRATED THAT PRODUCTS WERE IMPORTANT TO US AND THAT PREFERENCE TO EC (OR LACK OF SAME) MADE A DIFFERENCE. US SIDE PROPOSED THAT WE HOLD FURTHER CONSULTATIONS ON ISRAELI PROPOSAL LATER, AFTER US HAD HAD CHANCE TO ANALYZE PROPOSAL. IN ADDITION, US SIDE POINTED OUT THAT THERE WAS INTEREST ON US SIDE IN LOWERING THE 10.5 CRITERION OF DUTY LEVEL, AS WELL AS ADDING ADDITIONAL PRODUCTS TO -IST -HAT NOW MEET CRITERIA. US SIDE ALSO ASKED FOR ISRAELI CONCORDANCE AND LATEST STATISTICS ON A NUMBER OF PRODUCTS.

6. REGARDING SPECIFIC TEXTILE ITEMS WHERE PROBLEMS VIS-A-VIS REVERSE PREFERENCES AND UNDERSTANDING MOST URGENT, AFTER US PRESENTATION, COHEN STATED THAT US ONLY HAD CASE

ON TWO ITEMS 5509-9900 AND 5607-1090, AS OTHERS NO LONGER MET CRITERIA. HOWEVER, ON THESE TWO ITEMS, FAR EAST HAS BIG SHARE, AND WOULD BENEFIT GREATLY WERE ISRAEL TO DO WHAT US ASKED. ON CORDOROY, NEW PLANT HAD JUST STARTED UP IN ISRAEL, WHICH WAS WHY US SHIPMENTS HAD FALLEN, NOT

BECAUSE OF PREFERENCE TO EC.

7. DRAWING ON STATISTICS PROVIDED BY ISRAELIS, US SIDE DEMONSTRATED THAT IN FACT PREFERENCE ON THESE THREE ITEMS HAD MADE DIFFERENCE. FOR EXAMPLE, ON CORDOROY, IN FIRST 4 MONTHS OF 1978, IN SPITE OF NEW ISRAELI PLANT, EC SHIPPED AT THE SAME RATE AS IN 1977, WHEREAS US SHIPMENTS WERE ONLY 1/3 OF 1977 RATE.  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 158317

8. ISRAELIS STATED THAT THEY WERE PREPARED TO PHASE OUT THE DIFFERENCE BETWEEN THE EC AND MFN RATE OVER THE NEXT YEAR ON THE TWO ITEMS THAT CONTINUE TO MEET THE CRITERIA. US REPLIED THAT THIS IS NOT SATISFACTORY. WE NEEDED SOMETHING FASTER, AND WE NEEDED SOMETHING ON CORDOROY, WHERE THERE WAS BIG POLITICAL PROBLEM, AS WELL. ISRAELIS FINALLY STATED THAT THEY WOULD MAKE NECESSARY ADJUSTMENTS TO EQUALIZE EC AND US RATES ON TWO PRODUCTS MEETING CRITERIA AS WELL AS CORDOROY, ALTHOUGH THEY WERE NOT SPECIFIC ON HOW THEY WOULD DO THIS. WHILE US EXPRESSED PREFERENCE FOR IMMEDIATE REDUCTION OF US RATE TO EC RATE, ISRAELIS APPEARED TO BE LEANING TOWARDS INCREASING EC RATE TO US (MFN) RATE BECAUSE OF THEIR POLITICAL PROBLEMS WITH LOCAL TEXTILE INDUSTRY. IT WAS AGREED THAT DELEGATIONS WOULD BE BACK IN TOUCH IN IMMEDIATE FUTURE THROUGH EMBASSIES AFTER REFLECTION AND DISCUSSION WITH RESPECTIVE TEXTILE INDUSTRIES. VANCE

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MEETINGS, GENERALIZED PREFERENCES (TARIFFS), TRADE AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978STATE158317  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780260-0500  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780633/aaaabcxl.tel  
**Line Count:** 154  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** c72a3984-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN STR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2258008  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CONSULTATIONS WITH ISREAL ON GSP UNDERSTANDING  
**TAGS:** ETRD, US, IS  
**To:** GENEVA  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/c72a3984-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014